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**AN EMPIRICAL STUDY ON PROBLEMS FACED BY MICRO SMALL MEDIUM
ENTERPRISES**

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ABSTRACT

MSMEs in India face a number of problems - absence of adequate and timely banking finance, non-availability of suitable technology, ineffective marketing due to limited resources and non-availability of skilled manpower. Understanding the problems and challenges are fundamental solutions to expand micro small medium enterprises towards their future growth. Hence this article examines problems faced by micro small medium entrepreneurs in karaikudi. To accomplish this 300 sample respondents were enquired and their responses were analysed with the help of chi-square test.

INDEX TERMS: MSME, Entrepreneurs, Bank..

INTRODUCTION

In a modern economy, credit is the lifeblood of business, where the banks are the institutions that are directly responsible for the creation of credit. In many advanced countries of the west, even for the purchase of consumer goods, credit is obtained by people, and it is provided without any inconvenience to them by the banks. It is generally accepted that the broad goal of MSMEs policy is to accelerate economic growth and, in so doing, alleviate poverty. While there are many developmental constraints on the MSMEs sector, bridging the financing gap between MSMEs and larger enterprises is critical to economic growth. To assess the effectiveness of schemes for promoting MSME finance, an effective MSME financing scheme should provide opportunities for MSMEs to meet their financing needs and maintain the enterprise's profitability, or on the eventual sale of investments or collection of loans that would provide cash for later investments.

When the MSME sector does not have access to external funds for investment, the capacity to raise investment per worker and improve productivity and wages is seriously impaired. The difficulties that MSMEs experience can stem from several sources. The domestic financial market may contain an incomplete range of financial products and services. The lack of appropriate financing mechanisms could stem from various reasons, such as regulatory rigidities or gaps in the legal framework

To evaluate the efficiency of schemes for promoting MSME finance, an effectual MSME financing scheme should provide opportunities for MSMEs to meet their financing needs and must maintain the enterprise's profitability, or on the eventual sale of investments or collection of loans that

would provide cash for later investments. It is worth noting that many things set capital (finance) apart from the other inputs among the resources needed for producing goods and services. Fixed Assets such as machinery and equipment, land and buildings, to mention a few, provide benefits derived from their physical characteristics. Unfortunately, the same thing cannot be said about the financial resources used to run a business. The acquisition of financial resources leads to contractual obligations.

REVIEW OF LITERATURE

Rana et al. (2018) discussed an attempt to analyze the problems faced by MSMEs in accessing finance from banks and to identify the gap in MSME financing by SBI in Patankot, Punjab. The study suggests the need and way of enhancement of credit to this sector by SBI. Though the concentration is on finance gap evaluation, it is restricted to one particular bank's case study. **Siva (2018)** enumerate the problems faced by the entrepreneurs of small scale industries with special reference to women entrepreneurs. The author finds that 46% have financial crises while starting the enterprises, and 56% of entrepreneurs feel that there is no proper assistance for getting finance. **Umaraji (2019)** discusses the need to factoring services to MSMEs, which might solve the liquidity and working capital problems they face. The study finds a large number of MSMEs that do not have any credit facilities from banks despite banks' lending to MSMEs as a part of directives to lend to the priority sector. **Wahat et al. (2019)** examine the financing practices of MSMEs in Libya in two different phases of business life cycles, startups, and maturity stages, along with the issues in accessing bank loans by MSMEs. Primary data were collected from the owners of MSMEs through questionnaires. Using descriptive statistics, the author finds that 82.9% of SMEs use informal financing sources at startup, 17% uses formal financing at the startup stage. Only 25% use the bank loan. One of the reasons identified for not applying for the bank loan is that loans come with interest.

STATEMENT OF THE PROBLEM

In most jurisdictions, commercial banks are the main source of external finance for Small scale entrepreneurs. Therefore, the banking system must be prepared to extend credit to the MSME sector. However, several rigidities of a macroeconomic, institutional, and regulatory nature may bias the entire banking system against lending to MSMEs. MSMEs are entangled with problems mitigating their growth in Karaikudi; most MSMEs resort to financing sources such as retained earnings, personal savings, borrowing from friends and relatives, supplier credit, and borrowing from moneylenders at very high rates. Therefore, it is opportune to assess the financing challenges being faced by MSMEs in the Karaikudi Region with specific reference to the role and contributions of Banks in Karaikudi and to find appropriate and workable means of financing in the industry.

OBJECTIVES

1. To study the business development of MSME in Karaikudi.
2. To analyze the factors influencing the small scale entrepreneurs.

RESEARCH METHODOLOGY

a) Data Collection

The sources of materials for the study were both primary and secondary. Primary data were collected using structured questionnaires designed and administered to MSME customers and employees of the company alike for information on the general perception of MSME financing by the commercial banks within the Karaikudi Region. Scheduled Interviews were another medium through which primary data

were obtained. Stakeholders like MSME customers, management executives, and Bank staff were interviewed for input on this study. Secondary material was extracted from relevant textbooks, newspapers, reports/articles, journals, bulletins, and documents presented by corporate financial analysts and policy planners, and bank's websites.

b) **Sample Design**

The purposive simple random sampling method was used in attaining the sample size by basically concentrating on commercial Banks in karaikudi Branches and its MSME customers within the Karaikudi Region for the study. Due to time and limited resource constraints, a proportion of MSME customers and staff were sampled for input for this work.

SCOPE OF THE STUDY

The study covers the MSMEs of the Indian economy, including food processing, bakery, wood products, furniture works, and metal works, and auto and machinery works. The study was conducted to evaluate the challenges of MSME loans from banks within the Karaikudi Region, specifically looking at commercial banks at Karaikudi Branch. It is a case study approach of commercial banks and did not cover other formal financial intermediaries to reflect the entire industry approach to financing MSMEs. Hence, the result was not generalized, but its findings would be placed in the relevant context of the individual company studied.

Demographic profile of sample respondents

Demographic variables		Frequency	Percentage
Gender	Male	123	41%
	Female	177	59%
Age	21-25	18	4%
	24-30	25	8%
	31-35	32	15%
	34-40	88	29%
	41-45	134	44%
Educational Qualifications	SSLC	22	8%
	HSC	54	18%
	Graduate	124	42%
	Technical Education	94	32%

INFERENCES

- From the above table shows that out of 300 respondents, 41 percent of the respondents were MALE and 59 percent of the respondents were FEMALE.
- From the above table shows that out of 300 respondents, 4 percent were 21-25 years of age, followed by 8 percent between 24 and 30 years, 10 percent between 30 and 35 years, 29 percent between 35 and 40 years, and the rest of 44 percent of the respondents were between 40 and 45 years of age.

- The entrepreneurs' educational qualification also plays an important role in starting a business and other personal characteristics Shows out of 300 respondents, 8 percent were finishing SSLC, 18 percent were finishing HSC, 42 percent were finishing graduate, and 32 percent were finishing DIPLOMA. So, the majority of the respondents (42 percent) were graduates

HYPOTHESIS OF THE STUDY

Ho: There is no significant association between Educational Qualification and Problems faced by the borrower

Problems faced by the borrower when obtaining loans from banks and Educational Qualification wise classification of the respondents

Problems	Educational Qualification				Total
	SSLC	HSC	Graduate	Diploma	
High rate of Interest	3	4	22	8	40
High Processing Fee	1	10	25	22	58
Too much paper work	1	2	9	4	18
Lack of Transparency of banker	2	14	22	32	40
Requirement of Aailed Financial Statements	1	2	10	5	18
Inadequate disbursement of loan	5	10	18	9	42
Cumber some monitoring and recovery procedures	1	2	4	3	10
Asking SSE Association information Report	3	2	3	4	12
Collateral requirements	3	4	12	5	24
Personal guarantees	2	1	2	3	8
Total	22	54	124	94	300

Source: Primary data.

The result of Chi-square test

Calculated Value	Table Value	Degree of Freedom	Level of Significance
33.4358	40.113	24	5%

INFERENCES

The sample respondents were grouped as educational qualification wise data can be compared to problems faced by borrower. The Chi-square test was applied to the information found in the above

table . Since the calculated value of Chi-square (33.43) is lower than the table value of Chi-square (40.11) at a 5 percent level of significance with 24 degrees of freedom, the Null hypothesis is accepted. So, there is no significant relationship between educational qualification wise classification of sample respondents and the borrower's problems when obtaining loans from the bank.

CONCLUSION

MSMEs should be sensitized to be more willing to release the banks' business information to make their loan decisions. The government of India's right to Information Bill must be passed into Act as quickly as possible to enable banks to easily access their customers' needed business information to make loan decisions. This will reduce the information asymmetry between banks and their MSME customers in India. Lastly, public agencies and other stakeholders (i.e., insurance companies, business angels, NGO, etc.) should actively be involved in guaranteeing loans for MSMEs with promising prospects but don't have the sufficient collateral to access loans from banks. Public institutions in developing countries (e.g., India) in charge of guaranteeing loans for businesses should be transparent, incorruptible, reliable, and credible.

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